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C O N F I D E N T I A L KATHMANDU 002418

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SUBJECT: INDUSTRIAL SECURITY GROUP CONDEMNS MAOIST ACTIONS

Classified By: Ambassador James F. Moriarty. Reasons 1.4 (b/d).

Summary

1. (C) The Industrial Security Group (ISG), which brings together key Embassies, bilateral Chambers of Commerce and industry associations (with the U.S. Embassy as Acting Chair), issued a strong condemnation of Maoist extortion and other threats after an ISG meeting on September 5. Participants were uniformly pessimistic about the prospects for restoring law and order and for Nepal's economy. Representatives of the Nepal Hotel Association informed the group that they had been authorized by member hotels to shut down Nepal's hotel industry if Maoist extortion and other abuses did not cease. Interior Minister Sitaula and his deputy declined an invitation to meet. End Summary

ISG Issues Strong Condemnation

2. (C) The Industrial Security Group (ISG) agreed at a meeting on September 5 in Kathmandu to issue a strong public condemnation of increased Maoist extortion and threats. The U.S. Embassy is the Acting Chair of the group, which includes representatives of the Embassies of France, Germany, India, the United States and the Delegation of the European Commission, along with bilateral Chambers of Commerce and industry associations. The ISG last met in May 2006. The group's statement noted that Maoist pressure had become more intense in spite of the Maoist commitment to cease such activities. It stated that "Maoist extortion demands, coupled with aggressive efforts to intimidate employees into joining Maoist unions, (were) pushing enterprises toward bankruptcy and putting entire sectors of Nepal's economy at risk." The statement went on to demand that the Maoists stop their extortion and threats immediately.

Group Pessimistic About Nepal's Economic Future

3. (C) Chamber of Commerce and industry association representatives recited their own personal experiences with

Maoist extortion and threats. One such representative told how he was threatened with "revolutionary justice" if he did not pay hundreds of thousands of dollars to the Maoists. Others told of the difficulties they faced because each of the various Maoist affiliated organizations insisted on large, separate "donations." Many business representatives present expressed their extreme frustration at the impossibility of satisfying Maoist labor union demands which were constantly changing and which paid no heed to existing labor unions or laws. It was impossible, they said, to do business under current circumstances.

Hotel Industry Prepared for the Nuclear Option

14. (C) The President and Vice President of the Nepal Hotel Association said they were prepared to shut down Nepal's hotel industry and, by extension Nepal's entire tourist industry, if the situation did not improve soon. At the annual general meeting a few days earlier, the members of the hotel association had publicly authorized its leadership to take this step if necessary. The hotel industry executives did not relish the prospect, but they claimed they had few other tools to compel the Maoists to change their ways. Maoist threats had already begun to degrade the quality of service at the country's leading hotels. They reported that Maoists were insisting on free rooms and free meals for up to 20 Maoist cadre in the larger establishments. At this point, the Ambassador interjected that this sort of behavior could compel the Embassy to reconsider where it sent its business.

Government of Nepal Unresponsive

15. (C) All of those present shared the view that Home Minister Sitaula and the Government of Nepal (GON) had failed to take the necessary action to restore law and order and put an end to what many described as criminality under another guise. Some of the representatives even voiced doubts about whether the Prime Minister was willing to take action. The Ambassador explained that Minister Sitaula as well as the Home Secretary had declined a request to meet with the ISG, citing prior commitments. Few were surprised.

Comment

16. (C) We were struck by the degree of unanimity among ISG members at the September 5 meeting. At previous ISG sessions there had usually been a few who urged restraint in condemning Maoist activities. Not this time. In subsequent one-on-one meetings on September 6, the Ambassador found that the daylight on condemning the Maoists that once existed between the previously critical German Ambassador and his less outspoken Finnish counterpart had also disappeared. The Finnish Charge was almost defensive in insisting that the EU was conveying a firm stance against Maoist abuses through private intermediaries. The Ambassador encouraged the Finn to make the EU's concerns public. The ISG statement will certainly not change the situation here overnight, but we believe it is important for the U.S. and our allies in the diplomatic and business communities to speak openly of Maoist abuses at a time when many voices have been cowed into silence.

MORIARTY